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C O N F I D E N T I A L SECTION 01 OF 04 ANKARA 002044

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USDOC FOR 4212/ITA/MAC/CPD/CRUSNAK  
DOE FOR CHARLES WASHINGTON  
EUR ALSO FOR MATT BRYZA  
SCA FOR STEVE MANN

E.O. 12958: DECL: 04/30/2016  
TAGS: [EPET](#) [ENRG](#) [PREL](#) [TU](#) [AZ](#) [GG](#) [RU](#) [IZ](#) [IR](#)  
SUBJECT: TURKEY: GAS AND THE GREAT RACE TO EUROPE

REF: A. ANKARA 1527

[1](#)B. ANKARA 1010

Classified By: AMBASSADOR ROSS WILSON FOR REASONS 1.4 (B,D)

[1](#)1. (C) SUMMARY: In April 4-6 meetings in Ankara, senior Turkish officials agreed with EUR DAS Bryza on the need for rapid cooperation to facilitate export of Azerbaijani gas to Greece and Italy via a "Southern Corridor" stretching from the Caspian Sea through the South Caucasus and Turkey. All interlocutors concurred that such an effort would help Europe diversify its gas supplies, thereby bolstering the strategic importance of Turkey and Azerbaijan, and helping to channel Gazprom (over time) toward more market-based behavior. Energy Minister Guler expressed fear of upsetting Gazprom, but called for a regional meeting of government and company representatives to explore investment in a "Southern Corridor." End Summary.

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U.S. Message: Brief Window of Opportunity for Azeri Gas -  
Russians at the Door  
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[1](#)2. (C) In a series of April 4-5 meetings, GOT Officials agreed with EUR DAS Matt Bryza on the need to work together to facilitate near-term exports of natural gas from Azerbaijan into the Turkey-Greece-Italy (TGI) inter-connector for the following reasons:

-Diversify European gas supplies;

-Elevate Turkey's strategic importance as a key energy transit country; and

-Bolster commercial competition for European energy markets, thereby channeling Gazprom (over time) toward more market-based and less monopolistic behavior, relying on market forces.

13. (C) Bryza emphasized that the window of opportunity to secure throughput for the TGI pipeline seemed to be closing. Based on his recent conversations in Athens and Rome, Greece and Italy seemed to be under intense pressure to sign long-term contracts with Gazprom to secure throughput for TGI for gas shipped from Russia to Turkey via an expanded Blue Stream pipeline (under the Black Sea). Senior Italian and Greek officials had recounted how Gazprom had told them that no gas would be available in Azerbaijan for TGI any time in the next decade. In reality, senior Azerbaijani officials and the private companies operating the Shah Deniz consortium believed Shah Deniz production could double by 2012, providing sufficient gas to finance the TGI pipeline. Securing Azerbaijani gas in this way would then clear the way for later shipments of gas from Kazakhstan and/or Turkmenistan via a trans-Caspian gas pipeline. But, to secure market share for Azerbaijani gas now would result in Gazprom securing potentially exclusive rights to ship gas to Greece and Italy via the TGI pipeline, thereby shutting in Azerbaijani gas for years to come, and denying a key export option for gas from Turkmenistan,

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Kazakhstan, and (eventually) Iraq. Bryza noted that an Italian Deputy Foreign Minister suggested convening a conference of government and company representatives to explore next steps on realizing this proposed "Southern Corridor" of gas exports from the Caspian region to Southern Europe. Bryza emphasized that U.S. policy was not anti-Russia; rather, it was pro-competition and pro-diversification. Bryza said the current gas market was broken: Gazprom bought Central Asian gas for \$65 per thousand cubic meters (tcm) and sold it to Turkey and Europe for \$230-270 per tcm. This generated enormous rents, which were distributed non-transparently, feeding organized crime and undercutting energy sector reform. Bryza recounted the views of Italian interlocutors, who warned that such rents enabled Gazprom to pursue a corporate strategy that aimed to stifle competition through acquisition of strategic energy infrastructure, rather than to maximize profits and bolster its competitiveness under market conditions. Bryza stressed that by increasing competition for European gas markets through development of a "Southern Corridor," Gazprom would lose access to cheap Central Asian gas, and eventually have to reform itself to attract foreign investors required to develop domestic Russian gas fields. This would help Gazprom emerge as a more reliable commercial partner, which was important to the U.S. as well as Europe, given U.S. plans to purchase LNG from Gazprom.

14. (C) Foreign Minister Gul told Bryza that the United States and Turkey shared the same strategic vision for increasing diversification of energy supply from the Caspian region and lessening monopolistic behavior by Gazprom. He said that the GOT had also sought support from

the President of Turkmenistan to re-launch the Trans-Caspian Pipeline (TCP). (Septel)

¶6. (C) MFA DDG Energy Mithat Rende agreed that the United States and Turkey needed to work with European partners to promote alternatives to Russian gas. He said Russia should join the Energy Charter Treaty and provide third-party access to its pipelines. Rende said that Turkey seeks to be an energy hub, but not just for Russian gas. He asserted that Europe should promote Russia joining these objectives at the G-8. Rende lamented that at the recent Turkey Black and Caspian Sea energy conference in Ankara, the Russian rep had said: "Not over our dead body. No to gas pipelines across the Caspian." Bryza noted that this was an unfortunate attitude, but it was not up to Russia to decide whether other states could cooperate on a trans-Caspian pipeline. He said the USG and European Commission were both considering feasibility studies for trans-Caspian gas pipelines from Kazakhstan and Turkmenistan.

¶7. (C) Officials of BOTAS, Turkey's state pipeline company, also told Bryza they supported a "Southern Corridor" for Caspian gas exports to Europe. They noted that BOTAS is a founding partner in Nabucco, a proposed gas pipeline stretching from Turkey through Bulgaria, Romania, Hungary, and Austria. They noted that Shah Deniz would not be sufficient to support Nabucco, so work was needed to develop other gas sources like Egypt, Iraq, Turkmenistan, Kazakhstan, and Qatar.

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Minister of Energy Fears the Russians and Seeks to Bargain  
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¶8. (C) Energy Minister Hilmi Guler's position was less clear. Guler expressed fear of angering the Russians, given Turkey's 65% reliance on Russian gas. Guler worried about a repeat of last winter's gas cut-off during the Russia-Ukraine dispute. Still, he expressed strong interest in increasing production and export of Azerbaijani gas, which he hoped would help soften Gazprom's hardball tactics. He blamed the U.S. for failing to prevent the Blue Stream pipeline from being realized in the late 1990's, and (astonishingly) asked for the U.S. to take the lead in blunting Gazprom's pressure to double Blue Stream's capacity. Bryza countered that the decision to build Blue Stream was taken by the sovereign government of Turkey, not by the U.S. This remained the case today, with respect to Blue Stream's expansion. Guler nevertheless pressed on with his quest for U.S. political cover to oppose Gazprom's pressure, asking that the U.S. be in the forefront in promoting the "Southern Corridor," but offering Turkey's support behind the scenes.

¶9. (C) Guler then tried to bargain for U.S. support on the GOT's preferred Samsun-Ceyhan oil pipeline in exchange for Turkish support for the "Southern Corridor." Guler asked why the United States was not supporting Samsun-Ceyhan, arguing that this was the best option to alleviate congestion in the

Turkish Straits. Guler said ENI and Total were Interested in Samsun-Ceyhan, and suggested the U.S. had an obligation to help Turkey realize Samsun-Ceyhan before the Burgas-Alexandropolis pipeline was realized. Bryza recognized the need to reduce growing traffic in the Straits, and noted U.S. support for multiple pipelines whose commercial viability is determined by the market. But Bryza said the U.S. did not favor one Bosphorus bypass pipeline over another, particularly in the case of Samsun-Ceyhan (favored by Turkey) and Burgas-Alexandropolis (favored by fellow NATO Ally, Greece). The U.S. had already offered strong support to Baku-Tbilisi-Ceyhan, acceding to Turkey's strong requests, at a time when Burgas-Alexandropolis was just emerging. More fundamentally, Bryza rejected the linkage of the "Southern Corridor" with Samsun-Ceyhan. The U.S. favored a partnership with Turkey to advance our shared vision of helping Europe diversify its gas supplies via a "Southern Corridor." Washington needed to know whether Turkey also sought such a partnership, or whether Ankara instead wished to bargain over support for various energy projects.

¶10. (C) Guler backed off, stressing Turkey's desire for a genuine partnership with the U.S. on energy. He called for greater U.S.-Turkish cooperation to increase gas deliveries to Southern and Central Europe via Turkey, including via a resurrected trans-Caspian gas pipeline from Turkmenistan, the Nabucco Pipeline to Bulgaria, Romania, Hungary, and Austria, as well as potential gas shipments to Turkey from Egypt and Iraq. Guler suggested that the U.S. and Turkey cooperate on a possible gas pipeline running parallel to the existing oil pipeline from Iraq to Ceyhan. Bryza agreed. Guler asked Bryza what the U.S. thought of the proposal to extend the Blue Stream pipeline across

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Anatolia to Ceyhan, then onward to Israel. Bryza said that the U.S. wished to enhance Israel's energy security, but that extending Blue Stream was a decision for the GOT to make. Bryza advised that in taking such a decision, the GOT weigh the relative benefits to Turkey and Israel of this project against the impact it would have on bolstering Gazprom's monopoly power. But, Bryza repeated, this would ultimately be Turkey's sovereign decision.

¶11. (C) Minister Guler pressed for more visible U.S. support for these projects. Bryza replied that at this stage, the U.S. was exploring the viability of these projects through quiet diplomacy.

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Way Forward - Practical Steps  
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¶12. (C) After several exchanges regarding Bryza's recent meetings in Rome and Athens on gas supplies (SEPTELS), Guler eventually recognized the need for Azerbaijan to move quickly to secure market share in Greece and Italy via the TGI pipeline. Guler proposed a regional conference among government and company

representatives operating in Azerbaijan, Turkey, Greece, and Italy. Bryza agreed, noting that an Italian Deputy Foreign Minister made a similar proposal. Bryza also suggested a U.S.-Turkey-Iraq working group to promote oil and gas development and transit. Guler agreed. Guler also expressed interest in a working group to look at the issue of congestion in the Turkish Straits.

113. (U) DAS Bryza has cleared this message.

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WILSON